

AMENDED IN ASSEMBLY JANUARY 5, 2004

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

ASSEMBLY BILL

No. 82

Introduced by Assembly Member Dutton

(Coauthors: Assembly Members Aghazarian, Bates, Cogdill, Haynes, Shirley Horton, La Malfa, Maddox, Maldonado, Matthews, Maze, Mountjoy, Nakanishi, Pacheco, Plescia, Runner, Spitzer, Strickland, and Wyland)

(Coauthors: Senators Aanestad, Denham, Hollingsworth, Johnson, Knight, Margett, Oller, and Soto)

January 6, 2003

An act to amend Sections 218 and 17053.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 82, as amended, Dutton. Taxation: homeowners' property exemption: renter's credit.

Existing property tax law provides, pursuant to the authority of a specified provision of the California Constitution, for a homeowners' exemption in the amount of \$7,000 of the full value of a "dwelling," as defined.

This bill would, pursuant to the Legislature's authority under the California Constitution, increase the amount of this exemption from \$7,000 to \$32,000 and would, beginning with the January 1, ~~2004~~, 2005, property tax lien date, annually increase that amount by an inflation factor, as provided.

The Personal and Income Tax Law authorizes various credits against the taxes imposed by that law, including a credit for qualified renters in

an amount equal to \$120 for married couples filing joint returns, heads of household, and heads of household if adjusted gross income is \$50,000 or less, and in an amount equal to \$60 for other individuals if adjusted gross income is \$25,000 or less. The adjusted gross income amounts are adjusted annually for inflation.

This bill would provide that the credit is \$370 for married couples, heads of household, surviving spouses, and \$185 for all other individuals, would delete the adjusted gross income limitations, and would adjust the credit amount for inflation for taxable years beginning on or after January 1, ~~2004~~, 2005, as provided.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. ~~Section 218 of the Revenue and Taxation Code~~
2 ~~is amended to read:~~

3 ~~218. (a) The homeowners' property tax exemption is in the~~
4 ~~amount of the assessed value of the dwelling specified in this~~
5 ~~section, as authorized by subdivision (k) of Section 3 of Article~~
6 ~~XIII of the Constitution. That exemption shall be in the amount of~~
7 ~~thirty two thousand dollars (\$32,000) of the full value of the~~
8 ~~dwelling.~~

9 ~~The exemption does not extend to property that is rented,~~
10 ~~vacant, under construction on the lien date, or that is a vacation or~~
11 ~~secondary home of the owner or owners, nor does it apply to~~
12 ~~property on which an owner receives the veteran's exemption.~~
13 ~~“Owner” includes a person purchasing the dwelling under a~~
14 ~~contract of sale or who holds shares or membership in a~~
15 ~~cooperative housing corporation, the holding of which is a~~
16 ~~requisite to the exclusive right of occupancy of a dwelling. As used~~
17 ~~in this section, “dwelling” shall include:~~

18 ~~(1) A single-family dwelling occupied by an owner thereof as~~
19 ~~his or her principal place of residence on the lien date.~~

20 ~~(2) A multiple-dwelling unit occupied by an owner thereof on~~
21 ~~the lien date as his or her principal place of residence.~~

22 ~~(3) A condominium occupied by an owner thereof as his or her~~
23 ~~principal place of residence on the lien date.~~



1 ~~(4) Premises occupied by the owner of shares or a membership~~
2 ~~interest in a cooperative housing corporation, as defined in~~
3 ~~subdivision (h) of Section 61, as his or her principal place of~~
4 ~~residence on the lien date. Each exemption allowed pursuant to this~~
5 ~~subdivision shall be deducted from the total assessed valuation of~~
6 ~~the cooperative housing corporation. The exemption shall be taken~~
7 ~~into account in apportioning property taxes among owners of share~~
8 ~~or membership interests in the cooperative housing corporations~~
9 ~~so as to benefit those owners who qualify for the exemption.~~

10 ~~“Dwelling” means a building, structure or other shelter~~
11 ~~constituting a place of abode, whether real property or personal~~
12 ~~property, and any land on which it may be situated. For purposes~~
13 ~~of this section a two-dwelling unit shall be considered as two~~
14 ~~separate single family dwellings.~~

15 ~~Any dwelling that qualified for an exemption under this section~~
16 ~~prior to October 20, 1991, that was damaged or destroyed by fire~~
17 ~~in a disaster, as declared by the Governor, occurring on or after~~
18 ~~October 20, 1991, and before November 1, 1991, and that has not~~
19 ~~changed ownership since October 20, 1991, may not be~~
20 ~~disqualified as a “dwelling” or be denied an exemption under this~~
21 ~~section solely on the basis that the dwelling was temporarily~~
22 ~~damaged or destroyed or was being reconstructed by the owner.~~

23 ~~(b) The exemption provided for in subdivision (k) of Section~~
24 ~~3 of Article XIII of the Constitution shall first be applied to the~~
25 ~~building, structure or other shelter and the excess, if any, shall be~~
26 ~~applied to any land on which it may be located.~~

27 ~~(c) For the property tax lien date in 2004 and in each year~~
28 ~~thereafter, the State Board of Equalization shall recompute the~~
29 ~~amount of the exemption applied under this section, as follows:~~

30 ~~(1) The California Department of Industrial Relations shall~~
31 ~~transmit annually to the State Board of Equalization the~~
32 ~~percentage change in the California Consumer Price Index for all~~
33 ~~items from June of the prior calendar year to June of the current~~
34 ~~year, no later than August 1 of the current calendar year.~~

35 ~~(2) The State Board of Equalization shall compute an inflation~~
36 ~~adjustment factor by adding 100 percent to the percentage change~~
37 ~~figure that is furnished pursuant to paragraph (1) and dividing the~~
38 ~~result by 100.~~

39 ~~(3) The State Board of Equalization shall multiply the~~
40 ~~exemption amount applied under this section for the current lien~~



1 ~~date by the inflation adjustment factor determined in paragraph~~
 2 ~~(2), and round off the resulting product to the nearest one dollar~~
 3 ~~(\$1). The State Board of Equalization shall, no later than the next~~
 4 ~~following property tax lien date, notify each county assessor in~~
 5 ~~writing of the new exemption amount.~~

6 *SECTION 1. Section 218 of the Revenue and Taxation Code,*
 7 *as amended by Section 11.4 of Chapter 471 of the Statutes of 2003,*
 8 *is amended to read:*

9 218. (a) The homeowners' property tax exemption is in the
 10 amount of the assessed value of the dwelling specified in this
 11 section, as authorized by subdivision (k) of Section 3 of Article
 12 XIII of the Constitution. That exemption shall be in the amount of
 13 ~~seven thousand dollars (\$7,000)~~ *thirty-two thousand dollars*
 14 *(\$32,000)* of the full value of the dwelling.

15 (b) The exemption does not extend to property that is rented,
 16 vacant, under construction on the lien date, or that is a vacation or
 17 secondary home of the owner or owners, nor does it apply to
 18 property on which an owner receives the veteran's exemption.

19 (c) For purposes of this section, all of the following apply:

20 (1) "Owner" includes a person purchasing the dwelling under
 21 a contract of sale or who holds shares or membership in a
 22 cooperative housing corporation, ~~which~~ *the holding of which* is a
 23 requisite to the exclusive right of occupancy of a dwelling.

24 (2) (A) "Dwelling" means a building, structure, or other
 25 shelter constituting a place of abode, whether real property or
 26 personal property, and any land on which it may be situated. A
 27 two-dwelling unit shall be considered as two separate
 28 single-family dwellings.

29 (B) "Dwelling" includes the following:

30 (i) A single-family dwelling occupied by an owner thereof as
 31 his or her principal place of residence on the lien date.

32 (ii) A multiple-dwelling unit occupied by an owner thereof on
 33 the lien date as his or her principal place of residence.

34 (iii) A condominium occupied by an owner thereof as his or her
 35 principal place of residence on the lien date.

36 (iv) Premises occupied by the owner of shares or a membership
 37 interest in a cooperative housing corporation, as defined in
 38 subdivision (i) of Section 61, as his or her principal place of
 39 residence on the lien date. Each exemption allowed pursuant to this
 40 subdivision shall be deducted from the total assessed valuation of



1 the cooperative housing corporation. The exemption shall be taken
2 into account in apportioning property taxes among owners of share
3 or membership interests in the cooperative housing corporations
4 so as to benefit those owners who qualify for the exemption.

5 (d) Any dwelling that qualified for an exemption under this
6 section prior to October 20, 1991, that was damaged or destroyed
7 by fire in a disaster, as declared by the Governor, occurring on or
8 after October 20, 1991, and before November 1, 1991, and that has
9 not changed ownership since October 20, 1991, ~~shall~~ may not be
10 disqualified as a “dwelling” or be denied an exemption under this
11 section solely on the basis that the dwelling was temporarily
12 damaged or destroyed or was being reconstructed by the owner.

13 (e) The exemption provided for in subdivision (k) of Section 3
14 of Article XIII of the Constitution shall first be applied to the
15 building, structure or other shelter and the excess, if any, shall be
16 applied to any land on which it may be located.

17 (f) *For the property tax lien date in 2005 and in each year*
18 *thereafter, the State Board of Equalization shall recompute the*
19 *amount of the exemption applied under this section, as follows:*

20 (1) *The California Department of Industrial Relations shall*
21 *transmit annually to the State Board of Equalization the*
22 *percentage change in the California Consumer Price Index for all*
23 *items from June of the prior calendar year to June of the current*
24 *year, no later than August 1 of the current calendar year.*

25 (2) *The State Board of Equalization shall compute an inflation*
26 *adjustment factor by adding 100 percent to the percentage change*
27 *figure that is furnished pursuant to paragraph (1) and dividing the*
28 *result by 100.*

29 (3) *The State Board of Equalization shall multiply the*
30 *exemption amount applied under this section for the current lien*
31 *date by the inflation adjustment factor determined in paragraph*
32 *(2), and round off the resulting product to the nearest one dollar*
33 *(\$1). The State Board of Equalization shall, no later than the next*
34 *following property tax lien date, notify each county assessor in*
35 *writing of the new exemption amount.*

36 SEC. 2. Section 17053.5 of the Revenue and Taxation Code
37 is amended to read:

38 17053.5. (a) (1) For a qualified renter, there shall be allowed
39 a credit against his or her “net tax”(as defined in Section 17039).
40 The amount of the credit shall be as follows:



1 (A) For married couples filing joint returns, heads of household
2 and surviving spouses (as defined in Section 17046) the credit
3 shall be equal to three hundred seventy dollars (\$370).

4 (B) For other individuals, the credit shall be equal to one
5 hundred eighty-five dollars (\$185).

6 (2) Except as provided in subdivision (b), a husband and wife
7 shall receive but one credit under this section. If the husband and
8 wife file separate returns, the credit may be taken by either or
9 equally divided between them, except as follows:

10 (A) If one spouse was a resident for the entire taxable year and
11 the other spouse was a nonresident for part or all of the taxable
12 year, the resident spouse shall be allowed one-half the credit
13 allowed to married persons and the nonresident spouse shall be
14 permitted one-half the credit allowed to married persons, prorated
15 as provided in subdivision (e).

16 (B) If both spouses were nonresidents for part of the taxable
17 year, the credit allowed to married persons shall be divided equally
18 between them subject to the proration provided in subdivision (e).

19 (b) For a husband and wife, if each spouse maintained a
20 separate place of residence and resided in this state during the
21 entire taxable year, each spouse will be allowed one-half the full
22 credit allowed to married persons provided in subdivision (a).

23 (c) For purposes of this section, a “qualified renter” means an
24 individual who:

25 (1) Was a resident of this state, as defined in Section 17014, and

26 (2) Rented and occupied premises in this state which
27 constituted his or her principal place of residence during at least
28 50 percent of the taxable year.

29 (d) The term “qualified renter” does not include any of the
30 following:

31 (1) An individual who for more than 50 percent of the taxable
32 year rented and occupied premises that were exempt from property
33 taxes, except that an individual, otherwise qualified, is deemed a
34 qualified renter if he or she or his or her landlord pays possessory
35 interest taxes, or the owner of those premises makes payments in
36 lieu of property taxes that are substantially equivalent to property
37 taxes paid on properties of comparable market value.

38 (2) An individual whose principal place of residence for more
39 than 50 percent of the taxable year is with any other person who
40 claimed such individual as a dependent for income tax purposes.



1 (3) An individual who has been granted or whose spouse has
2 been granted the homeowners' property tax exemption during the
3 taxable year. This paragraph does not apply to an individual whose
4 spouse has been granted the homeowners' property tax exemption
5 if each spouse maintained a separate residence for the entire
6 taxable year.

7 (e) Any otherwise qualified renter who is a nonresident for any
8 portion of the taxable year shall claim the credits set forth in
9 subdivision (a) at the rate of one-twelfth of those credits for each
10 full month that individual resided within this state during the
11 taxable year.

12 (f) Every person claiming the credit provided in this section
13 shall, as part of that claim, and under penalty of perjury, furnish
14 that information as the Franchise Tax Board prescribes on a form
15 supplied by the board.

16 (g) The credit provided in this section shall be claimed on
17 returns in the form as the Franchise Tax Board may from time to
18 time prescribe.

19 (h) For the purposes of this section, the term "premises" means
20 a house or a dwelling unit used to provide living accommodations
21 in a building or structure and the land incidental thereto, but does
22 not include land only, unless the dwelling unit is a mobilehome.
23 The credit is not allowed for any taxable year for the rental of land
24 upon which a mobilehome is located if the mobilehome has been
25 granted a homeowners' exemption under Section 218 in that year.

26 (i) This section shall become operative on January 1, 1998, and
27 applies to any taxable year beginning on or after January 1, 1998.

28 (j) For each taxable year beginning on or after January 1, ~~2004,~~
29 ~~2005,~~ the Franchise Tax Board shall recompute the the amount of
30 the credit set forth in subdivision (a). That computation shall be
31 made as follows:

32 (1) The California Department of Industrial Relations shall
33 transmit annually to the Franchise Tax Board the percentage
34 change in the California Consumer Price Index for all items from
35 June of the prior calendar year to June of the current year, no later
36 than August 1 of the current calendar year.

37 (2) The Franchise Tax Board shall compute an inflation
38 adjustment factor by adding 100 percent to that portion of the
39 percentage change figure which is furnished pursuant to paragraph



1 (1) and dividing the result by 100. The inflation factor shall be
2 expressed to the third decimal place.

3 (3) The Franchise Tax Board shall multiply the amount in
4 subparagraph (B) of paragraph (1) of subdivision (a) for the
5 preceding taxable year by the inflation adjustment factor
6 determined in paragraph (2), and round off the resulting products
7 to the nearest one dollar (\$1).

8 (4) In computing the amounts pursuant to this subdivision, the
9 amounts provided in subparagraph (A) of paragraph (1) of
10 subdivision (a) shall be twice the amount provided in
11 subparagraph (B) of paragraph (1) of subdivision (a).

12 SEC. 3. This act provides for a tax levy within the meaning of
13 Article IV of the Constitution and shall go into immediate effect.

